



January 27, 1989

SUBJECT: Development of Realistic Long Range Farm Budgets

TO: State Directors

ATTENTION: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME

This Administrative Notice (AN) is issued to provide guidance on the development of realistic long range agricultural commodity prices and input costs. These prices and costs will be used for determination of farm budget feasibility following loan deferral. This information will also be used when conservation practices are required to bring the farm in compliance with the requirements in Exhibit M of FmHA Instruction 1940-G.

COMPARISON WITH PREVIOUS AN

This AN replaces AN 1751 (1924) dated April 27, 1988.

IMPLEMENTATION RESPONSIBILITIES

As before in AN 1751, projected levels of production and expense must be supported by the borrower's history. Projected income and expense should be based on the borrower's records. If the borrower does not have income and expense records, the County Supervisor will use ASCS records, Agricultural Extension Service data, county averages and/or reliable sources of data as the basis for income and expense projections.

Borrowers who intend to participate in government programs should include payments from such programs in their budget. For purposes of these calculations FmHA will assume that government programs will continue in the future similar to those currently active.

EXPIRATION DATE: January 31, 1990 Filing Instruction: Preceding  
FmHA Instruction 1924-B



1857(1924)

Each State Director must establish the average 1988 price received for each agricultural commodity by county, region or district. Exhibit B provides a national average with which states can realistically compare their developed averages. These national averages are not, however, to replace state development of commodity prices. For certain items the State Director may elect to set an average unit price for the entire state if the item shows little or no deviation across the state.

In most cases, price data is available from State Departments of Agriculture, State Offices of the USDA National Agricultural Statistics Service, or Land Grant Universities. If local data is not available, the prices that most nearly reflect local area prices must be used.

Exhibit A provides a table of projections for the percentage change of prices received and prices paid by farmers. In many cases, projected change factors are not available for unique, locally grown products such as crawfish, guava or rabbits. Local buyers, processors, Agricultural Extension Service, or similar sources should be contacted to obtain the best estimates available for such products.

Borrowers with adequate records to compute a weighted average price received for commodities sold in 1988 will have their 1988 actual unit prices used in the projection calculations. Otherwise, the average price as determined by the State Director will be used in these calculations. Similarly, production and living expenses (prices paid by farmers) will be calculated based on 1988 actual unit costs if available.

EXAMPLE: Wheat

Local avg. cash price	x	year % change	=	price adjustment
\$3.70 /bu (1988)	x	-12.2% (1993)	=	- \$0.4514
Price adjustment + 1988 avg. cash price	=	1993 projected price		
-\$0.45 + \$3.70 /bu	=	\$3.25 /bu		

If the State Director sees a critical need to change selected commodity projections in Exhibit A then those commodities and a detailed justification should be sent to the National Office for approval. Any changes you wish to make can be sent by Telemail to NO.PDS or by Facsimile to FTS 382-8098 or commercial (202) 382-8098 addressed to Director, Farmer Programs, Program Development Staff.

*Michael C. Williams*

for NEAL SOX JOHNSON  
Acting Administrator

Attachments

Sent by telefacsimile on 1/27/89 at 4:01 Pm by ASD. The State Director should advise other personnel as appropriate.

## LONG RANGE FARM BUDGET PROJECTIONS

FmHA AN 1857(1924)

Exhibit A

Source: Economic Research Service

FmHA, FP, Program Development Staff

January 14, 1989

## CASH COMMODITY PRICES RECEIVED

-----&lt; Projected % Change From 1988 &gt;-----

COMMODITY	1989	1990	1991	1992	1993	1994	1995
Wheat	-2.7	-6.8	-9.5	-10.8	-12.2	-13.5	-13.5
Corn	-25.0	-28.8	-30.8	-28.8	-19.2	-15.4	-19.2
Sorghum	-23.4	-27.7	-29.8	-27.7	-17.0	-17.0	-19.1
Barley	-18.5	-22.2	-25.9	-25.9	-24.1	-25.9	-25.9
Oats	-34.0	-35.8	-37.7	-37.7	-34.0	-34.0	-34.0
Soybeans	-26.5	-29.0	-29.0	-28.4	-25.8	-25.2	-25.2
Cotton	12.2	12.2	18.4	22.4	24.5	27.6	26.5
Rice	-29.2	-28.3	-27.5	-26.7	-25.8	-25.0	-23.3
SB Oil	0.0	-6.5	-8.7	-10.9	-13.0	-13.0	-13.0
SB Meal	-33.3	-33.3	-32.4	-31.4	-27.5	-26.5	-26.5
Cattle	5.1	7.9	0.4	4.2	-2.5	-5.1	-3.5
Calves	5.1	7.9	0.4	4.2	-2.5	-5.2	-3.5
Hogs	5.1	15.7	3.9	-3.2	11.0	18.1	11.0
Broilers	24.5	15.8	4.2	13.5	18.1	11.2	18.1
Turkeys	58.6	41.1	45.6	41.1	43.3	47.8	52.3
Eggs	22.5	19.9	21.6	26.8	18.2	28.5	35.3
Milk	1.1	-5.8	-9.9	-10.7	-10.7	-10.7	-14.0
Fruit	-11.9	-10.6	-8.5	-6.6	-3.5	0.0	2.2
Vegetables	8.0	11.0	14.3	17.4	20.2	22.9	25.8
TOBACCO:							
Flue-cured	-0.9	-0.2	2.2	5.3	8.4	10.9	13.4
Burley	3.1	5.6	8.1	10.6	13.8	16.3	18.8
SUGAR:							
Raw, domestic	-1.4	-0.8	-0.2	0.5	1.1	1.8	2.5
Sugarbeet	-5.9	-5.4	-4.7	-4.1	-3.4	-2.8	-2.1
Sugarcane	-6.5	-6.0	-5.4	-4.8	-4.1	-3.4	-2.6

## PRODUCTION AND LIVING EXPENSES

Feed	6.6	-19.6	-23.1	-23.1	-17.4	-9.4	-9.4
Feeder Livestock	5.0	6.8	0.0	2.5	-1.1	-2.7	-1.1
Seed	5.1	6.3	3.2	1.3	1.3	5.1	9.1
Fertilizer	5.8	7.1	10.3	15.0	18.8	24.0	28.2
Ag. Chemicals	4.5	6.0	8.7	11.9	14.3	17.6	20.3
Fuels	1.2	4.7	9.9	15.5	20.9	25.9	30.6
Farm & Motor Sup.	5.1	9.2	11.4	14.5	17.3	20.0	22.1
Autos & Trucks	3.6	6.9	9.3	12.2	15.4	17.9	20.4
Tractors	5.7	10.0	13.0	15.8	18.8	21.3	23.6
Other Machinery	5.3	10.0	12.8	15.8	18.6	21.2	23.6
Bldg. & Fencing	1.4	2.8	4.2	5.5	6.8	8.0	9.2
Farm Serv. & Rent	2.0	3.8	5.7	7.4	9.1	10.7	12.3
Interest	1.0	1.0	1.0	1.0	1.0	0.0	-2.1
Taxes	1.4	2.8	4.2	6.1	8.0	9.8	11.5
Wages	4.5	10.0	15.3	20.5	25.3	29.9	34.0
Family Living (CPI)	4.1	8.3	12.2	16.1	19.7	23.0	25.8
Other Expenses	4.0	5.0	7.1	10.1	12.8	15.8	18.7

PROJECTED LONG RANGE FARM PRICES

FmHA AN NO. 1857(1924)

Exhibit B

Source: Economic Research Service

FmHA, FP, Program Development Staff  
January 14, 1989

-----< PROJECTED CASH COMMODITY PRICES RECEIVED >-----

COMMODITY	UNITS	1988	1989	1990	1991	1992	1993	1994	1995
Wheat	\$/bu	3.70	3.60	3.45	3.35	3.30	3.25	3.20	3.20
Corn	\$/bu	2.60	1.95	1.85	1.80	1.85	2.10	2.20	2.10
Sorghum	\$/bu	2.35	1.80	1.70	1.65	1.70	1.95	1.95	1.90
Barley	\$/bu	2.70	2.20	2.10	2.00	2.00	2.05	2.00	2.00
Oats	\$/bu	2.65	1.75	1.70	1.65	1.65	1.75	1.75	1.75
Soybeans	\$/bu	7.75	5.70	5.50	5.50	5.55	5.75	5.80	5.80
Cotton	\$/lb	0.49	0.55	0.55	0.58	0.60	0.61	0.63	0.62
Rice	\$/cwt	6.00	4.25	4.30	4.35	4.40	4.45	4.50	4.60
SB Oil	cnt/lb	23.00	23.00	21.50	21.00	20.50	0.20	0.20	0.20
SB Meal	\$/ton	255.00	170.00	170.00	172.50	175.00	185.00	187.50	187.50
Cattle	\$/cwt	65.85	69.19	71.08	66.13	68.61	64.23	62.46	63.52
Calves	\$/cwt	79.02	83.03	85.30	79.35	82.33	77.07	74.95	76.23
Hogs	\$/cwt	42.35	44.50	49.00	44.00	41.00	47.00	50.00	47.00
Broilers	cnt/lb	25.90	32.25	30.00	27.00	29.40	30.60	28.80	30.60
Turkeys	cnt/lb	31.70	50.27	44.73	46.15	44.73	45.44	46.86	48.28
Eggs	cnt/doz	50.50	61.85	60.55	61.42	64.01	59.69	64.88	68.34
Milk	\$/cwt	12.21	12.35	11.50	11.00	10.90	10.90	10.90	10.50
TOBACCO:									
Flue-cured	cnt/lb	161.40	160.00	161.00	165.00	170.00	175.00	179.00	183.00
Burley	cnt/lb	160.00	165.00	169.00	173.00	177.00	182.00	186.00	190.00
SUGAR:									
Raw, domestic	cnt/lb	22.10	21.80	21.92	22.06	22.20	22.35	22.50	22.65
Sugarbeet	\$/ton	38.60	36.32	36.53	36.77	37.01	37.27	37.53	37.79
Sugarcane	\$/ton	29.20	27.29	27.44	27.61	27.80	28.00	28.22	28.44